

Cedar Springs Area Parks and Recreation Board
Kent County, Michigan

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year ended June 30, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Cedar Springs Area Parks and Recreation Board **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Cedar Springs Area Parks and Recreation Board's (the Board) financial performance provides a narrative overview of the Board's financial activities for the year ended June 30, 2008. Please read it in conjunction with the Board's financial statements.

FINANCIAL HIGHLIGHTS

- The Board's total net assets increased \$1,196 as a result of this year's activities.
- Total net assets, in the amount of \$20,490, were reported, of which \$1,184 is invested in capital assets. This leaves the Board with unrestricted net assets of \$19,306.

Overview of the financial statements

The Board's annual financial report is comprised of three parts: the management's discussion and analysis, the basic financial statements, and required supplementary information. The notes to the basic financial statements provide additional information that is necessary to understand the data reported in the financial statements.

The basic financial statements include information that that presents two different views of the Board:

- The first column of the financial statements includes information on the Board's General Fund under the modified accrual method of accounting. These fund financial statements focus on current financial resources and provide a more detailed view of the accountability of the Board's sources and uses of funds.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financials statements under the full accrual method of accounting.
- The third column presents the Board's operations on a full accrual basis, which provides both short- and long-term financial information about the Board's financial status. The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies.

The statement of net assets reports all of the Board's assets and liabilities along with the difference between the two, which is identified as the net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the Board's financial position is improving or deteriorating. However, other factors must also be considered when evaluating the overall financial position.

The statement of activities shows how the Board's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. This statement should help the reader to answer the question: Is the Board, better off or worse off as a result of this year's activities?

Cedar Springs Area Parks and Recreation Board
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE BOARD

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Board's case, assets exceeded liabilities at the end of the fiscal year by \$20,490. The Board's investment in capital assets (e.g., office equipment and furniture), a component of the total net assets, amounts to \$1,184. The Board uses these capital assets to provide essential services to its customers; consequently, these assets are not available to be liquidated for future spending needs. The remaining net assets, in the amount of \$19,306, is unrestricted.

Condensed financial information
Net assets

	<u>2008</u>	<u>2007</u>
Current assets	\$ 34,716	\$ 29,111
Capital assets	<u>1,184</u>	<u>1,332</u>
Total assets	<u>35,900</u>	<u>30,443</u>
Current liabilities	<u>15,410</u>	<u>11,149</u>
Net assets:		
Invested in capital assets	1,184	1,332
Unrestricted	<u>19,306</u>	<u>17,962</u>
Total net assets	<u>\$ 20,490</u>	<u>\$ 19,294</u>

Changes in net assets. The Board experienced an increase in net assets of \$1,196 during the current fiscal year compared to a \$16,745 increase in the prior year. The current year increase in net assets is lower than the prior year because revenues increased by only \$4,598 while expenses increased by \$20,147.

The Board's total revenues were \$67,023 in the current fiscal year compared to \$62,425 in the prior year. The majority of the Board's revenues come from recreation fees while the other significant source of revenues is contributions from constituent municipalities.

The total cost of the Board's operations amounted to \$65,827 in 2008 compared to \$45,680 in 2007, or an increase of \$20,147 (44%). More than 46 percent of the costs represent program costs while nearly 40 percent of the costs relate to personnel. The Board experienced significant increase in expenses as program costs increased by \$15,071 and personnel costs increased by \$7,649.

Cedar Springs Area Parks and Recreation Board
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed financial information
Changes in net assets

	<u>2008</u>	<u>2007</u>
Revenues:		
Contributions from local units	\$ 24,000	\$ 27,750
Recreation fees	41,488	33,069
Other	<u>1,535</u>	<u>1,606</u>
Total revenues	67,023	62,425
Expenses - recreation programs	<u>65,679</u>	<u>45,680</u>
Increase in net assets	<u>\$ 1,344</u>	<u>\$ 16,745</u>

FINANCIAL ANALYSIS OF THE BOARD'S FUND

The Board's only fund is its General Fund. The General Fund uses the modified accrual method of accounting which is a short-term perspective that measures the flow of financial resources. At the end of the fiscal year, the unreserved fund balance was \$19,306, which represents 29 percent of the actual total General Fund expenditures for the current fiscal year. Total fund balance increased by \$1,344 compared to a \$15,413 increase in the prior year. While recreation fees increased by \$8,419, expenditures, primarily program costs and personnel costs, increased by \$18,667.

General Fund budgetary highlights

The difference between the original budget and the final amended budget for expenditures was an increase of \$16,651. The budgeted expenditures were increased to reflect higher costs, primarily program costs, incurred during the year.

Revenues were \$1,497 less than budgeted because recreation fees were lower than anticipated. Expenditures were \$1,437 less than the amounts appropriated primarily because professional fees were lower than expected. These variances resulted in a \$60 negative budget variance and a \$1,344 increase in fund balance compared to a budgeted increase of \$1,404.

Capital assets and debt administration

Capital assets

The Board's investment in capital assets as of June 30, 2008, amounts to \$1,184 (net of accumulated depreciation). Capital assets consist of office equipment and furniture.

The Board made no major capital asset purchases this year.

More detailed information about the Board's capital assets is presented in Note 5 of the notes to the financial statements.

Debt

The Board had no debt at the beginning or end of the current fiscal year.

Cedar Springs Area Parks and Recreation Board
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Economic condition and outlook

The Board received the same amount of income from its constituent governmental agencies in the past fiscal year, which accounts for nearly 40% of the annual income and covers a comparable portion of operating costs. The remaining income comes mainly from participation fees. There were many new programs created in 2007-08 which resulted in a significant increase in recreational program revenue. As a result of investments in certificates of deposit, there was a large increase in interest revenue. The amount increased from \$66 in 2006-07 to \$877 in 2007-08.

The additional programs created in the 2007-08 fiscal year resulted in the addition of part-time site supervisors, which raised the payroll expenses by nearly \$5,000, and a pay increase for the Director. Other increases in expenses included facility user fees assessed by the Cedar Springs Public Schools.

The outlook for the Board includes the continued addition of new programs which would raise recreational fee revenue and expense. With the addition of programming, there may be additional payroll and marketing administrative costs.

Contacting the Board's financial management

This financial report is designed to provide a general overview of the Board's finances to its customers and creditors, and to demonstrate the Board's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Amanda Gerhardt, Director
Cedar Springs Parks and Recreation Board
204 E. Muskegon
Cedar Springs, MI 49319

Phone: (616) 696-7320
E-Mail: director@csaparksandrec.com

INDEPENDENT AUDITORS' REPORT

Members of the Board
Cedar Springs Area Parks and Recreation Board

We have audited the accompanying financial statements of the governmental activities and the major fund of the Cedar Springs Area Parks and Recreation Board, as of June 30, 2008, and for the year then ended, which collectively comprise the Board's financial statements, as listed in the contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Cedar Springs Area Parks and Recreation Board as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule and the management's discussion and analysis, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

October 31, 2008

BASIC FINANCIAL STATEMENTS

Cedar Springs Area Parks and Recreation Board

GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET ASSETS

June 30, 2008

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Cash	\$ 32,894	\$ -	\$ 32,894
Receivables	1,000	-	1,000
Prepaid insurance	822	-	822
Capital assets, net of accumulated depreciation	<u>-</u>	<u>1,184</u>	<u>1,184</u>
Total assets	<u>\$ 34,716</u>	<u>1,184</u>	<u>35,900</u>
LIABILITIES			
Accounts payable	\$ 697	-	697
Deferred revenues	<u>14,713</u>	<u>-</u>	<u>14,713</u>
Total liabilities	15,410	<u>-</u>	<u>15,410</u>
FUND BALANCE - unreserved, undesignated	<u>19,306</u>	<u>(19,306)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 34,716</u>		
NET ASSETS			
Invested in capital assets		1,184	1,184
Unrestricted		<u>19,306</u>	<u>19,306</u>
Total net assets		<u>\$ 20,490</u>	<u>\$ 20,490</u>
Total fund balance - modified-accrual basis			\$ 19,306
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			
			<u>1,184</u>
Total net assets - full-accrual basis			<u>\$ 20,490</u>

See notes to financial statements

Cedar Springs Area Parks and Recreation Board
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
EXPENSES			
Recreation and culture	\$ 65,679	148	\$ 65,827
PROGRAM REVENUES			
Charges for services - recreation fees	41,488	-	41,488
Contributions from local units	24,000	-	24,000
Other	1,535	-	1,535
Total program revenues	67,023	-	67,023
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/CHANGE IN NET ASSETS	1,344	(148)	1,196
FUND BALANCE/NET ASSETS - BEGINNING	17,962	1,332	19,294
FUND BALANCE/NET ASSETS - ENDING	\$ 19,306	\$ 1,184	\$ 20,490

See notes to financial statements

Cedar Springs Area Parks and Recreation Board
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Cedar Springs Area Parks and Recreation Board (the Board) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Board. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Board has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Board's financial statements. Also, the Board is not a component unit of any other entity.

These financial statements include all the operations of the Board, a municipal joint venture. The Board was created in January 1986 as a public authority formed under Public Act 156 of the Public Acts of 1917. The six members of the authority include the City of Cedar Springs, Cedar Springs Public Schools, and the Townships of Algoma, Nelson, Solon, and Courtland. The Board was established for the purpose of planning and administering a system of public recreation, playgrounds, and parks or other recreational facilities for the citizens of its member municipal units. Costs of operations and capital expenditures are supported by contributions from the member units and fees from recreational programs.

b) Measurement focus, basis of accounting, and financial statement presentation:

The statement of net assets and the statement of activities are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

c) Assets and liabilities:

i) Cash - Cash is considered to be cash on hand, demand deposits and time deposits.

ii) Capital assets - Capital assets, which includes office furniture and equipment, are reported in the financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line method over their useful lives.

iii) Deferred revenues - The Board defers revenue recognition in connection with resources that have been received, but not yet earned.

Cedar Springs Area Parks and Recreation Board
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles. The budget document presents information by program. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year. The Board experienced no functional level budget variances during the year.

NOTE 3 - DEPOSITS:

Cash consists of deposits with financial institutions that are carried at cost and are maintained at a financial institution in the name of the Board. Michigan state statutes and the Board's investment policy authorize the Board to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Board's deposits are in accordance with statutory authority.

At June 30, 2008, the Board has deposits with a carrying amount of \$32,894 and a bank balance of \$34,223. The bank balance is covered by federal depository insurance.

NOTE 4 - RISK MANAGEMENT:

The Board is exposed to various risks of loss related to property loss and errors and omissions. The Board has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Office furniture	\$ 1,800	\$ -	\$ -	\$ 1,800
Office equipment	<u>6,575</u>	<u>-</u>	<u>-</u>	<u>6,575</u>
Subtotal	<u>8,375</u>	<u>-</u>	<u>-</u>	<u>8,375</u>
Less accumulated depreciation for:				
Office furniture	(1,800)	-	-	(1,800)
Office equipment	<u>(5,243)</u>	<u>(148)</u>	<u>-</u>	<u>(5,391)</u>
Subtotal	<u>(7,043)</u>	<u>(148)</u>	<u>-</u>	<u>(7,191)</u>
Total capital assets being depreciated, net	<u>\$ 1,332</u>	<u>\$ (148)</u>	<u>\$ -</u>	<u>\$ 1,184</u>

Cedar Springs Area Parks and Recreation Board
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - DEFERRED REVENUES:

At June 30, 2008, the components of deferred revenues are as follows:

<u>Revenues</u>	<u>Unearned</u>
Contributions from local units	\$ 12,250
Charges for services - recreation fees	<u>2,463</u>
	<u>\$ 14,713</u>

REQUIRED SUPPLEMENTARY INFORMATION

Cedar Springs Area Parks and Recreation Board

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Contributions from local units:				
City of Cedar Springs	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Cedar Springs Public Schools	2,000	2,000	2,000	-
Township of Algoma	4,000	4,000	4,000	-
Township of Nelson	4,000	4,000	4,000	-
Township of Solon	3,000	3,000	3,000	-
Township of Courtland	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total local unit contributions	24,000	24,000	24,000	-
Charges for services - recreation fees	29,970	43,010	41,488	(1,522)
Other	<u>1,455</u>	<u>1,510</u>	<u>1,535</u>	<u>25</u>
Total revenues	<u>55,425</u>	<u>68,520</u>	<u>67,023</u>	<u>(1,497)</u>
EXPENDITURES				
Recreation and culture:				
Personnel costs	25,370	26,200	25,964	236
Program costs	17,695	30,561	30,569	(8)
Professional fees	1,500	2,750	2,000	750
Insurance	1,350	1,325	1,257	68
Occupancy	460	460	456	4
Miscellaneous	<u>4,090</u>	<u>5,820</u>	<u>5,433</u>	<u>387</u>
Total expenditures	<u>50,465</u>	<u>67,116</u>	<u>65,679</u>	<u>1,437</u>
EXCESS OF REVENUES OVER EXPENDITURES	4,960	1,404	1,344	(60)
FUND BALANCE - BEGINNING	<u>17,962</u>	<u>17,962</u>	<u>17,962</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 22,922</u>	<u>\$ 19,366</u>	<u>\$ 19,306</u>	<u>\$ (60)</u>

October 31, 2008

To the Members of the Board
Cedar Springs Area Parks and Recreation Board

We have audited the financial statements of the Cedar Springs Area Parks and Recreation Board for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 9, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Cedar Springs Area Parks and Recreation Board are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Cedar Springs Area Parks and Recreation Board during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Board's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

To the Members of the Board
Cedar Springs Area Parks and Recreation Board
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October 31, 2008

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We did not find it necessary to propose any audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Cedar Springs Area Parks and Recreation Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This communication is intended solely for the information and use of the board members of the Cedar Springs Area Parks and Recreation Board and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.